

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 IO-13 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

/118 W

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R 111815Z AUG 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 4734

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

USDEL MTN GENEVA

UNCLAS SAN JOSE 3911

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: REVISION OF EXPORT TAX RATES ON COFFEE AND SUGAR

GUATEMALA FOR ROCAP

PASS DEPT. OF AGRICULTURE

REFS: (A) STATE 148224 (B) SAN JOSE 3584

1. COSTA RICA HAS ADJUSTED ITS EXPORT TAX RATES ON
COFFEE AND SUGAR TO REFLECT DIVERGENT PRICE TRENDS.
THE NEW RATES PROVIDE FOR THE EXPORT TAX TO VARY AUTHOMATICALLY
WITH CHANGES IN THE PRICE OF THE COMMODITIES.

2. AN INCREASED EXPORT TAX RATE ON COFFEE WILL BECOME
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EFFECTIVE ON OCTOBER 1, 1976, WHEN THE FIRST PART OF

THIS YEAR'S HARVEST BECOMES READY FOR EXPORT.

THE OLD EXPORT TAX RATE OF 8 PERCENT AD VALORUM WILL BE REPLACED BY A VARIABLE EXPORT TAX PEGGED TO THE PRICE LEVEL OF THE COMMODITY.

FOB PRICE PER
POUNDS IN CENTS (U.S.) EXPORT TAX RATE IN PERCENT

UNDER 70 CENTS 1

70 - 90 4

90 - 110 8

110 - 140 13

140 - 150 15

OVER - 150 18

3. SUGAR EXPORTS WILL BE TAXED AT REDUCED RATES EFFECTIVE AUGUST 4, 1976. THE NEW TAX INCLUDES THE 7.5 PERCENT AD VALOREM TAX ESTABLISHED BY LAW IN 1961, PLUS A VARIABLE RATE CALCULATED ACCORDING TO THE FOB PRICE OF THE COMMODITY. THE NEW TOTAL EFFECTIVE TAX RATE, AS CAN BE SEEN FROM THE FOLLOWING TABLE, WILL RANGE FROM 8.5 TO 25.5 PERCENT, AS COMPARED TO THE FORMER FLAT RATE OF 20.5 PERCENT.

SUGAR PRICE (FOB CENTS/LB)	FIXED EXPORT TAX (PERCENT)	VARIABLE EXPORT TAX (PERCENT)	TOTAL EXPORT TAX (PERCENT)
UNDER 18	7.5	1.0	8.5
18 - 23	7.5	5.0	12.5
23 - 28	7.5	8.0	15.5
28 - 45	7.5	13.0	20.5
OVER 45	7.5	18.0	25.5

4. COMMENT. CHANGES IN THE EXPORT TAX RATES FOR UNCLASSIFIED

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COFFEE AND SUGAR WERE MADE IN RESPONSE TO CHANGES IN THE WORLD PRICE OF THESE COMMODITIES. IN THE CASE OF COFFEE, THE GOVERNMENT INTENDS TO TAX THE WINDFALL PROFITS GENERATED BY THE STRONG INCREASE IN COFFEE PRICES AFTER THE BRAZILIAN FROST. COSTA RICA'S COFFEE CROP WHICH WAS SOLD AT AN AVERAGE PRICE OF 53 CENTS PER POUND FOR THE 1974-1975 CROP YEAR, HAS BROUNG AN AVERAGE PRICE OF 88 CENTS A POUND TO DATE FOR THE 1975-1976 CROP YEAR.

EARNINGS FOR THIS CROP YEAR WOULD HAVE BEEN EVEN HIGHER IF
SO MUCH OF THE CROP HAD NOT BEEN SOLD PRIOR TO THE PRICE RISE.

5. COSTA RICA'S 1975-1976 SUGAR CROP IS SELLING AT AN
AVERAGE PRICE OF 16 CENTS A POUND, HALF THE 1974-1975 AVERAGE
PRICE OF 32 CENTS A POUND. THE LOWER EXPORT TAX RATES
SHOULD SERVE AS AN INCENTIVE TO INCREASE EXPORT
PRODUCTION. TODMAN

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